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EU approves extra-ordinary market measures for sugar for MY 2011-12

Report Categories:

Sugar

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Report Highlights:

As widely anticipated, the EU has approved measures for the additional export of 700,000 MT of out-of-quota sugar, as well as the release of 400,000 MT of out-of-quota sugar onto the EU market. In addition, the EU is providing for reduced-duty sugar import tenders for EU sugar refiners, in a move to replenish depleted ending stocks of quota sugar at the end on MY 2011/12.

General Information:

As already forecast in the [2011 EU semi-annual](#) [1] GAIN report, the EU 2011 sugar beet harvest is yielding a record sugar production of 19 million MT in raw sugar equivalents, of which 5 million MT is out-of-quota sugar. This bumper crop is making it difficult for the EU to encourage sugar imports, while the EU food industry is depending on such imports to supplement the 14 million MT EU quota sugar at its disposal. Continued lower than normal EU sugar imports because of high world prices are leading to supply constraints. During MY 2010/11, the EU took extra-ordinary measures to mitigate similar supply problems in the EU food market and had anticipated also doing so in MY 2011/12. Also during this marketing year, the EU is providing tools for the discharge of the excess out-of-quota sugar for exports as well as into the EU market.

On Thursday 24 November, 2011, the EU Management Committee (Mancom) approved three sugar market management measures as proposed by the European Commission (EC).

1. The EC is opening an additional 700,000 MT quota for out-of-quota sugar exports, thereby reaching its 1,350,000 MT WTO export limit for MY 2011/12 on top of the 650,000 MT export quota opened at the beginning of the marketing year. The new export licenses will be available from December 1, 2011.
2. The EC will offer sugar processors the possibility to release up to 400,000 MT of out-of-quota sugar onto the internal market at the reduced levy of €85/MT, as made possible by [Commission Regulation \(EU\) No 222/2011](#) [2] issued March 3, 2011. The normally levy that processors must pay is €500/MT.
3. The EC will also open sugar import tenders at reduced duty. The first three tenders for raw sugar for refining in December will open to full-time refiners only. Further tenders for importing raw sugar for refining will open to all operators in 2012. However, at the Mancom meeting, the EC did not receive a qualified majority vote for this measure and therefore has the option of implementing it on its own authority.

The last two measures are deemed necessary to increase ending stocks for MY 2011/12 to an acceptable level of about 2 million MT, up from the current forecast ending stock of around 1.2 million MT. The first measure is meant to allow EU sugar processors to sell excessive out-of-quota sugar on the world market, benefitting from the still high world market sugar prices.

After the meeting, Agriculture Commissioner Dacian Ciolos commented in support of his proposal to abolish the sugar quota regime: "On top of the cyclical market aspects, the sugar market situation observed in the EU today again shows the limits of the quota mechanism and its structural shortcomings...Quotas are now preventing producers from fully benefiting from the competitiveness achieved in recent years both on the EU and the world market".

^[1] [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Semi-annual Brussels%20USEU EU-27 10-6-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Semi-annual%20Brussels%20USEU%20EU-27%2010-6-2011.pdf)

^[2] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:060:0006:0009:EN:PDF>

